

## Message Text

CONFIDENTIAL

PAGE 01 OTTAWA 10300 01 OF 03 122006Z  
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FM AMEMBASSY OTTAWA  
TO SECSTATE WASHDC IMMEDIATE 5629

C O N F I D E N T I A L SECTION 01 OF 03 OTTAWA 10300

E.O. 11652: GDS  
TAGS: CA, OVIP (MONDALE, WALTER)  
SUBJECT: VICE PRESIDENT'S VISIT TO ALBERTA, CANADA  
( C O R R E C T E D C O P Y - PARAS. 2B AND 2D)  
REF: STATE 290807

1. THIS MESSAGE RESPONDS TO REQUEST CONTAINED REFTEL,  
KEYED TO SPECIFIC TOPICS MENTIONED THEREIN.

2. SOCIAL, POLITICAL AND ECONOMIC SCENE IN ALBERTA

A. PHYSICALLY, ECONOMICALLY, AND PSYCHOLOGICALLY, ALBERTA  
AND ALBERTANS ARE VERY SIMILAR TO THE STATES AND PEOPLE  
TO THE SOUTH - MONTANA, IDAHO, COLORADO, WYOMING, AND THE  
DAKOTAS. SOUTHERN ALBERTA WAS LARGELY SETTLED BY AMERICANS,  
WHILE THE CENTRAL PART OF THE PROVINCE BECAME HOME FOR LARGE  
NUMBERS OF GERMAN, SCANDINAVIAN, AND UKRAINIAN IMMIGRANTS.  
ALBERTANS PRIDE THEMSELVES ON THEIR WESTERN HERITAGE AND  
TIES TO THE LAND, AND FREQUENTLY NOTE THAT "THE UNITED  
STATES/CANADIAN BORDER SHOULD HAVE BEEN DRAWN NORTH AND  
SOUTH RATHER THAN EAST AND WEST". SOME 35 TO 40 THOUSAND  
AMERICANS ARE RESIDENT IN ALBERTA, AND THEY BLEND  
INDISTINGUISHABLY INTO THE PROVINCIAL BACKGROUND.

B. ALBERTANS ARE TRADITIONALLY CONSERVATIVE. THERE IS A  
STRONG NATIONALIST UNDERCURRENT IN ALBERTA BUT IT IS,  
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PAGE 02 OTTAWA 10300 01 OF 03 122006Z

TO A LARGE DEGREE  
COUNTERBALANCED BY AN ANTIPATHY TOWARD THE FEDERAL GOVERN-  
MENT IN OTTAWA AND THE TORONTO BUSINESS ESTABLISHMENT.  
THIS ANTI-EASTERN SENTIMENT AND A STRONG ALBERTAN IDENTITY  
DILUTE THE CONCERNS OF ALBERTANS ABOUT U.S. DOMINATION OF  
THE CANADIAN ECONOMY AND AMERICAN CULTURAL ENCROACHMENT.  
ANTI-AMERICAN SENTIMENT IN ALBERTA IS GENERALLY CONFINED

TO ELEMENTS IN THE MEDIA AND SECONDARY SCHOOL AND UNIVERSITY PERSONNEL.

C. THE ALBERTA POLITICAL SCENE IS DOMINATED BY THE PROGRESSIVE CONSERVATIVE (PC) PARTY (WHICH HOLDS 69 OF THE 75 SEATS IN THE PROVINCIAL LEGISLATURE). AT THE NATIONAL LEVEL, THE PC IS LED BY AN ALBERTAN -- JOE CLARK -- AND THE VOICE OF THE PROVINCE IS OF CONSIDERABLE IMPORTANCE THROUGHOUT THE FEDERATION. WITHIN THE PROVINCE, PREMIER PETER LOUGHEED IS FIRMLY IN CHARGE. HE IS A HIGHLY ENERGETIC, DECISIVE INDIVIDUAL, WITH A FLAIR FOR MANAGEMENT, SO LONG AS HE KNOWS HIS GROUND AND IS WELL PROGRAMMED. OUTSIDE THOSE BOUNDS, HE CAN BECOME ARROGANT AND BELLIGERENT, PARTICULARLY IF HE ENCOUNTERS OPPOSITION, FOR EXAMPLE FROM WITHIN HIS CABINET OR FROM OIL COMPANY EXECUTIVES. HIS CRITICS ALSO POINT OUT THAT HE AVOIDS PRESS CONFERENCES AND INTERVIEWS, AND CONTEND THAT HE IS TOO SECRETIVE IN MANAGING THE PUBLIC BUSINESS. INDEED, AROUND EDMONTON, HE IS KNOWN AS "THE CHAIRMAN OF THE BOARD", A REFERENCE TO A SMALL GROUP OF INFLUENTIAL CRONIES, DRAWN FROM INSIDE AND OUTSIDE THE GOVERNMENT, MANY OF WHOSE FRIENDSHIPS DATE FROM PLAYING FOOTBALL TOGETHER ON THE EDMONTON ESKIMOS.

D. THE OIL INDUSTRY AND AGRICULTURE ARE THE PREDOMINANT FACTORS IN ALBERTA'S ECONOMY. THE PROVINCE PRODUCES ABOUT 90 PERCENT OF CANADA'S OIL, 84 PERCENT OF ITS GAS, CONFIDENTIAL

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PAGE 03 OTTAWA 10300 01 OF 03 122006Z

40 PERCENT OF ITS CATTLE, AND 21 PERCENT OF CANADIAN WHEAT. ALBERTANS CONSTITUTE ABOUT 8 PERCENT OF CANADA'S POPULATION, PRODUCE ABOUT 11 PERCENT OF ITS GNP, AND GENERATE 15 PERCENT OF CANADIAN INVESTMENT. UNEMPLOYMENT IS A LOW 4.5 PERCENT, AND THE PROVINCE'S GROSS DOMESTIC PRODUCT IS EXPECTED TO GROW BY SEVEN OR EIGHT PERCENT IN 1977 TO A RECORD DOLS 22 BILLION. UNITED STATES INVESTMENT, WHICH HAS BEEN CONCENTRATED IN THE ENERGY AREA, NOW TOTALS ABOUT DOLS 6 BILLION. IT HAS BEEN A MAJOR FACTOR IN THE RAPID DEVELOPMENT OF THE PROVINCE. ALBERTA PRESENTLY PROVIDES THE U.S. WITH 200 THOUSAND BARRELS OF OIL AND 2 BILLION CUBIC FEET OF GAS DAILY, AND THE U.S. PACIFIC NORTHWEST WILL BE DEPENDENT UPON ALBERTA GAS SHIPMENTS UNTIL THE LATE 1980'S OR PERHAPS LONGER. A CALGARY FIRM (ALBERTA GAS TRUNK LINE) IS A MAJOR PARTNER IN THE ALCAN PROJECT TO TRANSPORT ALASKAN NATURAL GAS TO THE U.S. AND THE PROVINCE WILL SERVE AS HEADQUARTERS FOR MARSHALLING THE MEN AND EQUIPMENT NEEDED TO COMPLETE THE CANADIAN PORTION OF THIS GIGANTIC ENTERPRISE. THERE ARE CURRENTLY 50 MAJOR INDUSTRIAL PROJECTS WITH A CAPITAL VALUE OF ABOUT DOLS 4 BILLION UNDER CONSTRUCTION IN ALBERTA AND PROSPECTS FOR SEVERAL

ADDITIONAL MULTI-BILLION DOLLAR ENERGY RELATED UNDERTAKINGS, INCLUDING A THIRD TAR SANDS PLANT AND SEVERAL HEAVY OIL UNDERTAKINGS IN WHICH U.S. COMPANIES WILL HAVE PROMINENT PART.

3. KEY POLICIES OF INTEREST TO THE PROVINCIAL GOVERNMENT.

THE ALBERTA GOVERNMENT HAS BEEN ACTIVE IN ASSERTING

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PAGE 01 OTTAWA 10300 02 OF 03 101702Z  
ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 SSO-00 NSCE-00 SP-02 EB-08  
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TO SECSTATE WASHDC IMMEDIATE 5630

C O N F I D E N T I A L SECTION 02 OF 03 OTTAWA 10300

PROVINCIAL RIGHTS, PARTICULARLY IN THE ENERGY AREA, AND PREMIER LOUGHEED HAS BEEN IN THE FOREFRONT OF THOSE CANADIAN POLITICAL LEADERS WHO ARE DEMANDING A MORE PRECISE DEFINITION OF THE TERMS OF CANADIAN CONFEDERATION WITH RESPECT TO THE DIVISION OF POWER BETWEEN THE FEDERAL GOVERNMENT AND THE PROVINCES. IN PARTICULAR, ALBERTA WANTS UNQUESTIONED AUTHORITY OVER ITS NATURAL RESOURCES AND A VOICE IN CONFEDERATION COMMENSURATE WITH ITS OVERALL ECONOMIC CONTRIBUTION TO CANADA. WESTERN INTERESTS ARE, FROM ALBERTA'S PERSPECTIVE, CURRENTLY TAKEN INTO ACCOUNT BY THE FEDERAL GOVERNMENT ONLY WHEN THIS SUITS THE INTERESTS OF ONTARIO AND QUEBEC. THE LOUGHEED GOVERNMENT IS ALSO DETERMINED TO DIVERSIFY THE ALBERTA ECONOMY AND TO FORCE A WESTWARD SHIFT IN THE ECONOMIC DECISION-MAKING PROCESS IN CANADA. THIS INVOLVES USE OF THE PROVINCE'S SIZEABLE OIL AND GAS ROYALTIES (DOLS 2.1 BILLION IN 1977) AND REGULATORY POWER TO PROMOTE PROJECTS WHICH WILL ENHANCE ALBERTA'S INDUSTRIAL POTENTIAL AND FOSTER THE DEVELOPMENT OF ALBERTA AS A CENTER FOR ENGINEERING AND OTHER TECHNICAL SERVICES. THE PROVINCE, FOR EXAMPLE, MIGHT HELP FINANCE THE CANADIAN PORTION OF THE ALCAN PROJECT THROUGH THE ALBERTA HERITAGE FUND. (THIRTY PERCENT OF THE PROVINCE'S OIL AND GAS REVENUES ARE SET

ASIDE TO PROVIDE FOR ALBERTA'S FUTURE AND THE HERITAGE  
FUND CURRENTLY HOLDS ASSETS WORTH DOLS THREE BILLION).  
THIS POLICY ALSO INVOLVES THE DEVELOPMENT OF CLOSE TRADE  
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PAGE 02 OTTAWA 10300 02 OF 03 101702Z

AND INFORMAL POLITICAL TIES WITH THE U.S. PACIFIC  
NORTHWEST. PREMIER LOUGHEED HAS SOUGHT TO CULTIVATE  
CLOSE RELATIONS WITH SENATOR JACKSON, CALIFORNIA GOVERNOR  
BROWN AND OTHERS IN ORDER TO PROMOTE THIS OBJECTIVE.  
THE ALBERTA PREMIER SEES THE WESTERN UNITED STATES AS  
THE NATURAL MARKET FOR ALBERTA AND HE IS SEEKING TO USE  
THE PROVINCE'S ABILITY TO PROVIDE SUBSTANTIAL ADDITIONAL  
GAS EXPORTS TO THE U.S. DURING THE 1980-85 PERIOD AS  
A LEVER TO OBTAIN ACCESS FOR ALBERTA BEEF AND PETROCHEMICALS  
INTO THE AMERICAN MARKET (BEEF AND PETROCHEMICAL AND  
TARIFF TALKS WITH THE GOVERNMENT OF CANADA ARE SCHEDULED  
FOR DECEMBER 1977).

4. ISSUES LOUGHEED MAY RAISE.

A. PREMIER LOUGHEED CAN BE EXPECTED TO STRESS HIS  
GREAT INTEREST IN PROMOTING ECONOMIC AND POLITICAL TIES  
BETWEEN THE U.S. AND ALBERTA. HE WILL NOTE THAT THE  
PROVINCE HAS FULLY SUPPORTED THE ALCAN PROJECT, AND  
OBSERVE THAT HIS GOVERNMENT IS WILLING TO HELP MEET  
U.S. SHORT TERM NATURAL GAS SUPPLY REQUIREMENTS BY  
AUTHORIZING ADDITIONAL EXPORTS OF PERHAPS UP TO ONE  
BCF A DAY UNTIL SUCH TIME AS THE ALASKAN GAS PIPELINE  
CAN BE COMPLETED.

B. IN RETURN FOR THESE VERY TANGIBLE BENEFITS, HE  
WILL ASK THE U.S. TO REDUCE OR ELIMINATE ITS TARIFFS  
ON PETROCHEMICALS AND PROCESSED BEEF, CERTIFY ALBERTA  
RAPE SEED OIL FOR HUMAN CONSUMPTION, IMPROVE MARKET  
ACCESS FOR CARCASS BEEF AND VEAL, ELIMINATE QUOTA DUTIES  
ON LIVE CATTLE AND TARIFF ESCALATION ON PROCESSED  
BEEF, AND COMMIT ITSELF AT SOME FUTURE TIME TO REPLACE  
ANY EXPORTS OF ALBERTA NATURAL GAS, ABOVE PRESENT  
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PAGE 03 OTTAWA 10300 02 OF 03 101702Z

CONTRACTS, MADE TO THE U.S. DURING THE APPROXIMATE  
1980-85 TIME PERIOD WITH GAS SUPPLIES FROM ALASKA  
(THE SO-CALLED "GAS SWAP").

C. THE BEEF ISSUES ARE CLEARLY CRITICAL TO THE GOVERNMENT  
OF ALBERTA. THE ALBERTA LEADER WILL PROBABLY COMMENT

ON THE VERY EXTENSIVE U.S. COMMERCIAL PRESENCE IN ALBERTA AND REMARK THAT IN ALL EQUITY, ALBERTANS SHOULD HAVE GREATER OPPORTUNITY TO EXPORT TO THE U.S. THE LOUGHEED GOVERNMENT APPARENTLY CONSIDERS THAT U.S. TARIFF LEVIES ARE A "ONE WAY STREET" AND A SITUATION WHICH MUST BE CHANGED.

5. SUGGESTED TALKING POINTS FOR VICE PRESIDENT

A. ALCAN PROJECT: THE PREMIER SHOULD BE THANKED FOR HIS COOPERATION. WE SHOULD RECOGNIZE ALBERTA'S MAJOR CONTRIBUTION TO THIS UNDERTAKING. THE VICE PRESIDENT MIGHT WISH TO COMMENT ON THE GREAT MUTUAL BENEFITS THAT THE U.S. AND CANADIAN ECONOMIES WILL REAP FROM THIS ENDEAVOR.

B. OUR SYSTEM DOESN'T LEND ITSELF TO TRADES OF ENERGY AGAINST TRADE CONCESSIONS, BUT WE ARE WILLING TO PROCEED IN PARALLEL, RECOGNIZING THE MUTUAL BENEFIT OF BEING RESPONSIVE TO EACH OTHERS INTERESTS.

C. ADDITIONAL GAS EXPORTS: THE U.S. IS INDEED INTERESTED IN OBTAINING ADDITIONAL GAS SUPPLIES FROM CANADA, SUBJECT TO THE NEGOTIATION OF SATISFACTORY TERMS AND

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PAGE 01 OTTAWA 10300 03 OF 03 100425Z  
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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 5631

C O N F I D E N T I A L SECTION 03 OF 03 OTTAWA 10300

CONDITIONS.

D. PETROCHEMICAL AND PROCESSED BEEF TARIFFS: WE ARE WILLING TO HAVE SERIOUS NEGOTIATIONS WITH OTTAWA ON AGRICULTURAL AND PETROCHEMICAL TARIFF REDUCTIONS AND HOPE THAT THE OUTCOME OF THESE TALKS WILL BE BENEFICIAL TO ALBERTA.

E. BEEF TRADE: WE ARE AWARE OF ALBERTA'S PARTICULAR INTEREST IN EXPANDING CATTLE AND BEEF SALES IN THE U.S. MARKET AND ARE PREPARED TO RESPOND TO THAT INTEREST IN TWO WAYS. FIRST, WE ARE WILLING TO ENGAGE IN BILATERAL DISCUSSIONS ABOUT DUTIES ON BEEF AND LIVE CATTLE THAT WE MAINTAIN IN EXCESS OF THOSE IN EFFECT FOR CANADA. SECONDLY, WE ARE WILLING TO CONSIDER HOW WE MIGHT JOINTLY MOVE TOWARD MORE OPEN TRADE IN BEEF. BUT GIVEN THE PRESENCE OF SPECIFIC U.S. LEGISLATION ON BEEF IMPORTS AND THE PROSPECT OF MORE FULLY ANTICIPATED CANADIAN RESTRICTIONS, THIS WOULD NECESSARILY BE A MORE DELIBERATE PROCESS. (N.B. REQUIRES CLEARANCE).

F. GAS SWAPS: GIVEN THE UNCERTAINTIES, WE DOUBT THAT COMPANIES WILL BE WILLING TO ENTER INTO HARD CONTRACTS FOR TIME SWAPS. BUT, IN PRINCIPLE, WE WOULD BE WILLING TO CONSIDER AN UNDERTAKING TO AUTHORIZE EXPORT OF REPLACEMENT QUANTITIES OF U.S. GAS IN RESPONSE TO CONFIDENTIAL

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PAGE 02 OTTAWA 10300 03 OF 03 100425Z

APPLICATION, PROVIDED A WILLING BUYER AND SELLER COULD BE FOUND. (N.B. THIS REQUIRES CLEARANCE).

G. RAPE SEED OIL: SOME PROGRESS IN THIS AREA HAS BEEN REALIZED AND RAPE SEED OIL HAS BEEN CERTIFIED FOR LIMITED FOOD USE IN RESPONSE TO A SPECIFIC APPLICATION MADE TO THE U.S. FOOD AND DRUG ADMINISTRATION. THE FDA WOULD ACT ON OTHER APPLICATIONS WHEN THEY ARE RECEIVED.

H. OTHER: THE ALBERTA PREMIER WOULD BE PLEASED IF THE VICE PRESIDENT ASKED HIM FOR HIS VIEWS ON THE CANADIAN ECONOMY AND CANADIAN CONFEDERATION. LOUGHEED COMPLETED AN EXTENSIVE FACT FINDING VISIT TO EUROPE AND THE MIDDLE EAST IN JUNE OF 1977 AND IT WOULD BE POLITIC TO ASK FOR THE PREMIER'S IMPRESSIONS OF THE CURRENT WORLD ENERGY SITUATION. ENDERS

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